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# THE MULTINATIONAL GLASS CEILING: National Context and Global Cultural Models in the Middle-Range Countries

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Mauro F. Guillén
*MIT Sloan School of Management*

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Mauro F. Guillén
Sloan School of Management
Massachusetts Institute of Technology
50 Memorial Drive E52-554
Cambridge, MA 02139
Ph: (617) 253-4417
Fax: (617) 253-2660
e-mail: guillen@mit.edu

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# THE MULTINATIONAL GLASS CEILING:
## National Context and Global Cultural Models in the Middle-Range Countries

Introductory Chapter
and
Outline of Country Chapters

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Mauro F. Guillén
The Alfred P. Sloan School of Management
*Massachusetts Institute of Technology*
50 Memorial Drive E52-554
Cambridge, MA 02139
Ph: 617-253-4417
Fax: 617-253-2660
e-mail: guillen@mit.edu

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Summary

What kinds of internationally competitive firms are emerging from the middle-range countries? Are any of these firms similar to the multinationals based in the rich world? How does the institutional context in these countries affect the internationalization of their firms? Focusing on the cases of Spain, Argentina, and South Korea, I will study the different ways in which the middle-range countries and their most international firms are attempting to break the glass ceiling that separates them from the organizational world of the rich countries. I will draw on a variety of information, ranging from large-sample surveys of firms to case studies at the organizational level and ideological statements by the key actors in each of these three societies. By identifying the features of the internationally competitive firms emerging from these three countries and tracing them back to specific institutional and policy variables, I will show how the international competitiveness of the middle-range firms is shaped by political-economic and ideological factors in the home country, as well as by organizational factors coming from the international environment.

The capitalist is a man of the world.
Adam Smith

## 1. Introduction

One of the areas of debate in the fields of organizations and international management is the outcome resulting from the contradictory pulls that the home-country institutional context and the international environment may impose on firms doing business across national boundaries (Ghoshal and Westney eds. 1993; Scott 1994). Institutionalization theory suggests that home-country imprinting is a powerful and enduring force shaping the development of organizations (Jepperson and Meyer 1991; Scott, Meyer and Associates 1994:2-3; Dobbin 1994; Guillén 1994), but remains largely silent about the issue of competing pulls.[1] In particular, our field knows very little as to whether emerging multinationals headquartered in countries other than the rich ones succeed in the international competitive arena because they are creatures of their home-country institutional context or because they have adopted or imitated the organizational capabilities characteristic of the rich-country multinationals, which have become a dominant "global cultural model" of reference (Scott 1994:81-99). That is the question to be addressed in this comparative study of the multinationals based in three typical middle-range countries: Spain, Argentina and South Korea.

Few of the firms headquartered in the middle-range countries have been able to break through the "multinational glass ceiling." Traditionally, firms based in the middle-range have competed at home and abroad the easy way, i.e.

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[1]One exception is the studies on the institutionalization of education since World War II. See Thomas, Meyer, Ramirez and Boli eds. (1987).

on the basis of cheap natural assets such as unskilled labor, raw materials and energy, or by taking advantage from the sheer size of the domestic market and its geographical location. In so doing, these firms have long sheltered themselves from international or world institutional pressures. We know, however, that the multinationals based in the rich countries compete mostly on the basis of created assets such as technology, brand reputation, skilled labor, and organizational capabilities. The global cultural model of the multinational suggests that these are the intangible or invisible assets underlying the competitiveness of the firms based in the most advanced countries.

As industrialization extends to new countries in the world, the middle-range ones and their firms cannot indefinitely hold on to their natural advantages and traditional ways of conducting business; they probably will need to create new competitive assets. The key political and social actors in many of these countries have not fully realized that their old ways of doing things may not be as effective from now on. Economic and political-economic analysts have failed to accept that firms based in some of the most dynamic middle-range countries (e.g. Korea, Taiwan) are finding it very difficult to shift from natural to created assets, i.e. to break through the ceiling. Even when firms from these countries have invested abroad so as to escape from escalating costs for natural assets at home, they continue to rely on technology, key components, and marketing expertise developed somewhere in the rich world (Bernard and Ravenhill 1995). This study will first identify the characteristics of the middle-range firms that, through exporting and/or foreign investment, have become internationally competitive. The second task will be to separate the features having to do with the home-country institutional context from the patterns of behavior that characterize all multinational firms.

This study focuses on the emerging international firms based in the middle-range countries precisely because these firms face the competitive dilemma of the choice between natural and created assets in a most real and direct way. The middle-range countries have only recently moved up the ladder of economic development and become integrated into the world economy. Accordingly, they constitute an ideal research laboratory for analyzing the question of competing institutional pulls. It is precisely when countries incorporate themselves into the world order that institutionalization processes based on global cultural models begin to operate (Scott 1994; Thomas, Meyer, Ramirez and Boli 1987). The middle-range countries have made it, at best, half way through the race for development. Their per capita incomes, adjusted for purchasing power, range between approximately 25 and 55 percent of the United States' level. In other words, they are still far away from the wealth levels attained by the advanced countries of Europe, North America, and Japan. And the second half of the race promises to be tougher than the first if only because borrowing from the technological, marketing and organizational expertise of the rich countries will not be as easy or cheap as it has been during the post World War II era.

Examples of middle-range countries include some of those located on the Western and Southern fringes of Europe (Ireland, Portugal, Spain, Greece, Turkey), the Latin American Southern Cone (Chile, Argentina, Uruguay, Brazil), the larger Caribbean basin (México, Costa Rica, Puerto Rico, Colombia, Venezuela), and East Asia (South Korea, Taiwan, Thailand, Malaysia, the coastal provinces of China). I prefer using the label "middle-range" rather than "newly industrialized," "semiperipheral," or "emerging" because not all of these countries have recently become industrialized, are subordinate to capital owned by rich countries, or are growing rapidly. What unites them are the facts

that they are poised at the threshold of the fully developed world, that most of their firms lack the created assets and organizational capabilities of the rich-world multinationals, and that it is still uncertain whether they will be able to catch up completely.

Taken together, the middle-range countries, represent about a quarter of the world's population, and their current share of 15 percent of world output is expanding rapidly. Table 1 provides basic information on the middle-income countries compared to some of the rich countries. In per capita income terms, a historically stable and wide "no-man's land" separates the richest countries in the world from the middle-range ones. At the top of the middle range, Spain enjoys a per capita income equal to 57 percent of the U.S.'s. Between Spain's level and that of the poorest rich country, the United Kingdom with 72 percent, there are only four very special, and small, countries, namely, Finland, New Zealand, Israel, and Singapore (World Bank 1994:221). For most practical purposes, the rich countries constitute a world separate and afar from the middle-range and the poor ones. And development is a marathon, not a sprint. It takes countries and its firms long periods of time to close the gap. There are only a few examples of relatively large, late-industrializing countries which have broken through the glass ceiling starting from relative backwardness in the late 19th century: Sweden, Italy, and, most famously, Japan (Maddison 1989).[2] One should carefully note that these three countries did not enter the club of the rich until their large and medium-sized firms became world-class competitors on the basis of created assets. Yet we know very little about how these firms hit upon a combination of features from the home-country

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[2]An excellent comparison of the smaller Latin American countries and the Scandinavian ones appears in Blomström and Meller (1991). On Italy see Locke (1995), Cominotti and Mariotti (1994), and Onida and Viesti eds. (1988).

institutional context and the international environment that allowed them to compete on a world-wide basis.

As reported in Table 1, many of the middle-range countries have historically received large amounts of inward foreign direct investment (FDI), but few of their own firms have invested abroad. The United Nations Center on Transnational Corporations estimates that 87 percent of the 37,530 multinationals identified in its annual report on FDI is headquartered in the rich countries, which account for about 70 percent of world output and just 14 percent of world population (UNCTD 1994a:4).[3] That number includes a host of medium-sized firms with foreign investments but fewer than 2,000 employees worldwide as well as the giant multinationals with over 100,000 employees. Firms based in the rich countries account for over 450 of the slots on the Fortune Global 500 lists of both the largest industrial and the largest service firms in the world. By contrast, the middle-range countries have very few firms on these lists; the only two exceptions being South Korea (with 12 industrial firms), and Spain (with 14 service firms). Similarly, there are very few medium-sized multinational firms based in the middle-range countries.

Multinationals have become mighty and ubiquituous economic actors. Their organizational logic, by straddling multiple institutional environments, has become both a key factor in international competition and an institutionalized organizational model. Other firms the world over are affected by their organizational features because of coercive, normative and mimetic institutional pressures (DiMaggio and Powell 1983). These pressures are often at odds with those originating from the home-country institutional context (Ghoshal and Westney eds. 1993; Scott 1994). In fact, there is a well-defined

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[3]A multinational firm is a firm with direct investments in at least one host country in addition to its home country.

cultural model of the advantages presumably associated with being a multinational firm and with the accumulation of created assets that can be exploited worldwide. In particular, multinationals are supposed to be in a better position to engage in and recover R&D expenditures, exploit economies of scale, access production factors worldwide at the desired cost and quality level, reduce transaction costs, move from saturated to emerging markets, take advantage from tax loopholes, manage risk, and leverage their power in negotiations with governments, labor unions, local communities, suppliers and customers.

A few pieces of information will suffice to prove the staggering influence of multinationals in the world economy. Currently, the worldwide revenues of the 37,530 multinationals and their 206,961 worldwide affiliates amount to $4.8 trillion, a figure similar to that of world exports of goods and non-factor services. These firms employ 73 million people worldwide. As much as one third of international trade takes place within multinationals, i.e. between two of their organizations located in different countries. About 80 percent of the total international payments for royalties and fees occurs within multinationals. The largest 500 multinationals account for roughly 25 percent of the world's gross product and over 50 percent of world trade (UNCTD 1994a:xxi-xxii). These figures indicate that, whether big or small, multinational firms have become key economic, political, and social actors. They make decisions from an international, if not global, perspective.

## 2. The Middle-Range Countries as a Research Category

The first task of the comparative sociologist is to justify the very exercise of comparison. I propose that using the middle-range category for comparative purposes makes analytical sense. There are several key characteristics that

unify the middle-range countries, even though a few exceptions to the overall pattern do occur:

1. Industrialization based on a limited creation of assets such as technology, brand reputation, worker skills, and organizational capabilities. Typical middle-range firms tend to borrow or "learn" foreign intangible assets rather than innovate on their own. They also depend on foreign equipment and key components (Hikino and Amsden 1994; Amsden 1989, 1990; Gereffi 1990a; Lall 1987; Wells 1983; Nelson and Winter 1982; UNTCMD 1993:8-11; Bernard and Ravenhill 1995).

2. Weak, vestigial artisan traditions (Hikino and Amsden 1994), which render small-scale, crafts-based industrialization a limited alternative for international competitiveness (Piore and Sabel 1984; Sabel and Zeitlin 1985).

3. The presence of relatively well-educated populations before the onset or during the take-off of industrialization, which has facilitated the absorption of foreign technology, marketing know-how, and organizational logics (Dore 1990).

4. Recent transition from long-standing authoritarian regimes of the modernizing type to democracy. In the past, those regimes guaranteed the availability of natural assets (Krieger ed. 1993).

5. Low ratios of outward-to-inward FDI, mostly as a result of very low outward FDI, which, if existent, focuses first on the relocation of activities in lower-cost countries, and later on the distribution of exports or on the acquisition of strategic assets in the rich countries (UNCTD 1994a; Hikino and Amsden 1994; Dunning 1986; Stallings 1990).

6. In the past, dominant role of the state in the formulation and implementation of an economic policy aimed at rapid industrialization that included price-distorting subsidization of business, the protection of the domestic market for domestic firms and a few foreign multinationals with investments in the country, and, in some cases, the creation of state-owned firms (Hikino and Amsden 1994; Wade 1990; Haggard 1990; Gerschenkron 1962).

7. More recently, a policy of liberalization, privatization, trade opening, and economic integration in trade blocs that has generated a new political and economic positioning of firms and of interest groups in society.

There are other aspects on which the middle-range countries differ. I will use them to characterize the home-country institutional context and to explain differences in the features of their internationally competitive firms:

1. The natural endowments of the country, such as cheap labor, raw materials, and the size of the domestic market, which is great in cases such as Spain, Turkey, Korea, Taiwan, Mexico, Argentina, and Brazil, but small in others like Ireland, Greece, Portugal, Malaysia, Chile, Uruguay, and Costa Rica (Table 1). The size of the market has implications for the degree of export-orientation of firms, and for the use of a protected domestic market as a giveaway to local firms or an incentive for foreign multinationals to locate manufacturing inside the country.

2. Different degrees of autonomy of the state bureaucracy from vested interests such as the landed elite, the military, the Church, business groups, organized labor, the professions, foreign investors, and the banks (Skocpol 1985; Olson 1965, 1982; Deyo 1990; Woo 1991). The degree of autonomy ranges from very high in Korea or Taiwan, to medium in Spain or Portugal, and low in Chile, Argentina or Brazil. States with low degrees of autonomy have faced great difficulties in pursuing consistent policies to facilitate the creation of new competitive assets.

3. In some cases, a history of acute labor shortages and, as a result, strong, militant worker movements (Chile, Argentina), while in others a practically unlimited supply of cheap labor has been readily available (Portugal, Spain, Greece, Turkey, Korea, Taiwan, Malaysia, Thailand, Mexico, Brazil). Some of the abundant-labor countries, however, have also developed strong labor movements for other reasons (Portugal, Spain, Greece, Brazil). Strong labor movements have tended to increase the cost of employing domestic labor, while not always helping to raise productivity as fast. This may have reduced the competitiveness of the home base in some of the cases.

In some cases a tradition of corporatist approaches to labor-capital conflict developed when labor unrest and the union movement have become powerful, and politicians have exploited labor and social issues to their advantage, as in Spain, Portugal, Chile, Argentina, and Brazil. In many instances the corporatist framework has also been used to tackle the conflicts between business and the state, professionals and clients, and the Church and the state. Other cases (e.g. South Korea) have not developed corporatist structures (Schmitter 1974; Deyo 1990). Again, this factor has contributed to making the location of certain activities in corporatist countries no longer competitive, and, in general, of reducing the flexibility or freedom of firms to pursue international strategies (Murtha and Lenway 1994).

4. The incidence of inward FDI in the local economy, ranging from stocks of direct investment amounting to more than 10 percent of GDP in Spain, Ireland, Greece, Malaysia, Chile, Mexico, and Costa Rica, to less than 5 percent in Turkey, Korea, and Uruguay (Table 1). Inward manufacturing FDI has been in some cases planned to serve a protected domestic market, in others to use the host country as an export platform. Inward FDI has in some countries and industries helped create new competitive assets both for foreign and domestic firms. In others, backward linkages from the multinational subsidiaries to the local economy are still incipient, as in Malaysia, Thailand, and Mexico (Bernard and Ravenhill 1995).

5. The mix of economic enterprises that has emerged from the process of industrialization, with countries differing in terms of the importance of diversified private business groups, product-focused firms, family-owned small and medium-sized firms, state-owned enterprises, and subsidiaries of foreign multinationals.

I have decided to study Spain, Argentina, and South Korea for a variety of reasons. First, these are middle-range countries that have a real chance at breaking through the glass ceiling and becoming part of the club of rich countries within a couple of generations. Second, if they achieve the breakthrough, it will be by following different paths. I would argue that the Spanish firms that will become most competitive internationally will be either service-sector firms or medium-sized manufacturing firms. Competitive firms in Argentina will most likely be linked to natural resources or the transformation of primary products. The large, diversified South Korean industrial chaebol are the avant-garde of that country's international expansion. Third, there are significant variations in terms of the ways in which these three countries have industrialized, including the roles played by the state and by labor. These differences will serve as explanatory variables. Fourth, these countries are comparable in terms of population size, and of having a diversified industrial and service structure. And fifth, the cases make this

comparative study global in scope, covering one instance from Southern Europe, one from Latin America, and one from East Asia.[4]

Figure 1 compares the evolution of these countries' per capita income levels since 1900 relative to those of the United States. In 1994, the per capita income of Spain, adjusted for purchasing power, amounted to 55 percent of the level of the United States (down from 57 in 1992), Korea's to 48 percent, and Argentina's to 27 percent. Presently, Spain's GDP is, at best, creeping at an annual rate of 2-3 percent, while Korea (9 percent) and Argentina (7 percent) are soaring ahead. It is only a matter of years before Korea overtakes Spain in per capita income, while Argentina catches up rather quickly.

### 3. Analytical Framework: Competing Institutional Pulls

This study draws on three separate research traditions: the sociological literature on comparative organization; the late-development school; and the eclectic theory of international production. These traditions help to conceptualize the three key elements of an institutional theory of competing environmental pulls: the home-country context, the process of country incorporation into the world order, and the dominant global cultural model in the international environment (Scott 1994; Thomas, Meyer, Ramirez and Boli 1987).

The sociological literature on comparative organization serves to conceptualize the first element: the organizational implications of the characteristics of the home-country institutional context. Institutional and comparative perspectives emphasize that the internal organization of firms reflects the institutional features of their home countries, and also the foreign

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[4]On the multinationals from other middle-range countries see: Chen (1986) for Taiwan; CIEC (1994) for Chile; Villela (1983) for Brazil; and Peres Núñez (1993) for Latin America.

influences that may have been borrowed. The home-country institutional environment is shaped by such disparate forces as the political system, the pattern of state intervention, the nature of labor relations, the educational and training system, the financial system, the role of professional groups, and the dominant mental, educational, religious or ethical backgrounds (Guillén 1994; Whitley 1992:229-237; Orrú et al. 1991; Jepperson and Meyer 1991; Westney 1987; Dore 1990; Biernacki 1995; Dobbin 1994; Skocpol 1985; Ziegler 1995; Bendix 1974).

The late-development school conceptualizes the ways in which backward countries manage to move up the development ladder and incorporate themselves into the world economy, the second element in an institutional analysis of world-centered rationalization. Late development theory emphasizes that economic laggards and their firms have developed and grown in fundamentally different ways than the early industrializers. Several of their theoretical concepts and distinctions are critical to this study: innovation-based versus learning-based competitive advantages (Amsden 1989; 1990; Hikino and Amsden 1994; see also Kogut and Zander 1992; Nelson and Winter 1982); stage-skipping or leap-frogging industrialization (Dore 1990; Amsden 1989; Gerschenkron 1962); and price-distorting subsidization of firms (Amsden 1989; Hikino and Amsden 1994).

Lastly, the eclectic theory of international investment and production provides a useful framework for conceptualizing the multinational firm as the dominant global cultural model in the current international competitive environment (Dunning 1993), the third element in an institutional analysis of competing environmental pulls. The eclectic theory argues that firms internationalize on the basis of different combinations of three types of advantages: locational, ownership-related (i.e. created intangible assets), and internalization-related, i.e. those deriving from hierarchical managerial

coordination (Dunning 1979, 1981, 1988; Caves 1982). The theory of the investment development path adds a time dimension to the eclectic paradigm by proposing that firms make a shift from locational advantages at home to ownership and internalization ones that are increasingly exploited worldwide as a competitive strategy based on country-specific natural assets becomes less sustainable (Dunning and Narula 1994; Tolentino 1993:92-119; Dunning 1986). Underlying this process is the familiar assumption in the organizations literature of "bounded rationality" or "managerial myopia," and the notion that a firm's international expansion is the result of a series of incremental decisions (Vernon 1979; Cyert and March 1963; Johanson and Vahlne 1977). According to the eclectic paradigm, firms headquartered in the middle-range countries can develop ownership advantages susceptible of being exploited worldwide by (1) mastering mature technologies that have been phased out and "forgotten" in the rich countries, (2) downscaling technology to meet the needs of smaller or less sophisticated markets, or (3) transforming work processes so that they require more (cheap) labor and less overheads (UNTCMD 1993:8-11; Lall ed. 1983). Whether this is true or not depends a great deal on the degree to which middle-range multinationals reflect characteristics of their home-country context alone or are also affected by institutional pressures coming from the international environment.

Combined under the umbrella of an institutional theory of competing environmental pulls, these three research perspectives provide useful ways of thinking about the middle-range countries in comparative terms. The relevant institutional context in each of these societies will be captured by looking at: (1) the endowments of natural assets; (2) the degrees of autonomy and effectiveness of the state in implementing regulations or programs geared towards securing a well-functioning financial system, an adequate set of export incentives, a

modern infrastructure for business, a dynamic national system of R&D, and an appropriate accumulation of worker skills; (3) the impact of the labor movement and of corporatist interest-coordination arrangements on the cost and qualification of labor; (4) the role of inward foreign investment in upgrading the country's natural assets and in creating new assets; and (5) the ideological and normative background of the policy-making elites, business elite, labor leaders, and the general population. These country-specific institutional factors affect the strategies of all firms. By examining the features that characterize the subset of firms that reveal themselves as most internationally competitive through exports and/or foreign investment as the country becomes more embedded in the international economy, this study will shed light on the issue of which institutional pull predominates, that from the country home base or the one from the international competitive environment, increasingly characterized by rich-world multinationals whose competitive capabilities rest on created intangible assets.

The working hypothesis based on institutional theory is that the home-country's institutional context constrains the type or types of firms that become most internationally competitive, while the accumulation of created assets at the firm level affects which individual firms become world-class competitors. Whether diversified private business groups, product-focused firms, family-owned small and medium-sized firms, state-owned enterprises, or subsidiaries of foreign multinationals located in the country become major exporters and foreign investors depends on the five long-run institutional factors listed above. Which particular firm or firms within the successful type or types excels depends on firm-level strategies and capabilities that will be most likely shaped, at least in part, by institutional models and pressures coming from the international environment.

This analysis of the Multinational Glass Ceiling takes the form of an in-depth, standardized, comparative study of the firms in three of the middle-range countries, Spain, Argentina, and South Korea.[5] It attempts to fill in a substantial gap in social-science scholarship. On the one hand, students of development have neglected organizations and firms. Until recently, this field has been dominated by a heated controversy between the neoclassical economists and the dependency theorists. Political-economic and institutional perspectives have attempted to make a dent in recent years (Amsden 1989; Haggard 1990; Önis 1991; Wade 1990, 1992), with the result that firms have at last started to enter the picture.

On the other hand, the disciplines concerned with the study of organizations and firms have failed to pay attention to the middle-range countries. The strategic management and international management literatures have studied the multinationals headquartered in the rich countries that do business either in other rich countries or in the developing world. This research has focused on how innovation-based multinationals from the rich countries exploit their intangible assets and power abroad. Little is known about the learning-oriented firms based in the middle-range countries.[6] The worst lacuna is to be found in the organizations field itself, which has largely ignored the multinational phenomenon as if it were empirically insignificant or

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[5]On the standardized method of cross-national comparisons, see Walton (1973) and Guillén (1994).

[6]For a state-of-the-art review of the international management field, see UNCTC (1992) and Dunning (1993). Rugman and Hodgetts (1995) offer a good overview of the basic concepts and data. Recent integrative conceptual studies continue in the tradition of referring only to the rich countries (e.g. Aliber 1993). There are two excellent, though outdated, comparative studies of "third world" multinationals: Wells (1983) and Lall ed. (1983). They do not deal with the European middle-range countries. More recent research include Dunning (1986) and UNTCMD (1993).
There is, however, some research on the historical origins of multinationalization in the rich countries: Wilkins (1970) for the U.S.; Stopford (1991) and Nicholas (1982, 1983) for Britain; Johanson and Wiedersheim-Paul (1993) for Sweden; and Onida and Viesti eds. (1988) for Italy; among others.

theoretically irrelevant (Ghoshal and Westney eds. 1993).[7] I submit that studying emerging multinationals based in the middle-range countries represents a unique opportunity to assess the contradictory institutional pulls of the home-country and international environments.

**4. The Political and Ideological Aspects of the Glass Ceiling**

As part of this project, I plan to study the politics and ideology of FDI in the middle-range countries.[8] Their legacy of corporatism,[9] protectionism, and/or state intervention has created deeply-ingrained attitudes and ideologies towards both inward and outward FDI. These ideologies have evolved rather slowly in the face of the recent trend towards liberalization, privatization, and trade expansion. Foreign multinationals have typically been viewed as invasive, exploitative, and harmful by both right and left-wing intellectuals in these countries. By contrast, those of moderate and liberal political convictions have seen in inward FDI a catalyst for modernization, change, and even democratization. Domestic business elites have been variously affected by foreign investors, with some of them entering into joint-venture or supplying arrangements, others losing market share (Evans and Gereffi 1979; Evans 1979, 1981). Middle-range governments and public opinions in general have remained wary of foreign investors until very recently, and even today there are major

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[7]In the two most widely-used surveys of the organizations literature, Perrow (1986) and Scott (1992), multinationals are never mentioned.

[8]A review of the literature on the political clout of multinationals appears in Gilpin (1987:231-305).

[9]I subscribe to Schmitter's (1974:93-94) classic definition of corporatism: "a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports." Examples of corporatist societies include Argentina, Brazil, Germany, Greece, Italy, Mexico, Portugal, Spain, and Sweden. Compare with Dahl's (1971) definition of pluralist democracy.

outbursts of nationalism whenever a foreign firm acquires a prominent domestic firm or when it decides to downsize or relocate a subsidiary to another country.

As of late, governments and business leaders in the middle-range countries have been argueing for domestic firms to engage in FDI in order to distribute their home-made products in foreign markets, take advantage of cheaper factors of production around the world, and acquire strategic assets. Tax breaks, subsidies and other incentives have been introduced by governments thirsty for foreign investment. Labor unions, which happen to be relatively powerful and vocal in countries with a legacy of corporatism (Argentina, Spain) and/or recent transition from authoritarianism to democracy (South Korea), have frequently fought the downsizing of local subsidiaries by multinationals, and have been very critical of domestic firms investing and creating jobs abroad rather than at home. Thus, it is of great sociological, as well as public-policy, interest to understand the ideological positions of governments, business leaders, labor unions, intellectuals, and the general public. More than perhaps any other economic phenomenon, foreign investment is deeply ideological.

There has been a great deal of discussion as to whether countries can develop and become rich without their own innovative multinational firms. A brief look at the rich countries shows that they are home to many multinational firms. Unfortunately, the recent debate over the size of firms has relegated the problem of multinationalization to the background. One can identify big and small multinationals, and both types are overwhelmingly located in the rich countries. Therefore, the key issue for me is not whether countries need large or small firms, but rather whether firms are multinational or domestic, or to use

Rosabeth Kanter's (1995) categories, cosmopolitan or local.[10] Countries cannot afford to entirely depend on the multinationals from other countries for investment and job creation. Ownership and control do make a big difference, one that separates the rich from the middle-range and the poor. The world of "stateless" companies that U.S. Labor Secretary Robert Reich has recently described is probably a future scenario rather than a palpable reality (Reich 1991; Tyson 1991). The U.S. Congress Office of Technology Assessment has concluded that there are distinct advantages to American ownership, particularly in terms of developing and exploiting intangible assets through R&D (OTA 1994). High expenditures on R&D and human capital by U.S. multinationals leads to larger shares of their exports being supplied from the U.S. parent as opposed to from their foreign locations (Kravis and Lipsey 1992). And U.S. multinationals have higher rates of return on their domestic operations than those of U.S. firms that are not multinationals (Benvignati 1987). Historically, the governments of the rich countries have directly or indirectly promoted the multinationalization of their firms.[11] Multinational firms have been, and remain, one of the foundations of their economic growth and wealth.

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[10]I recommend reading Chandler (1977, 1990), Piore and Sabel (1984), Perrow (1991), and Harrison (1994) to get a sense of the heated debate over the benefits and problems of large versus small firms. Kanter's distinction is similar, though not equivalent, to the classic one by Merton (1968).

[11]Even the British state contributed with its policies to the development of capitalist firms (Polanyi 1957; Hobsbawm 1969).

## Outlines of the Three Country Chapters

### Spain: An Early Late-Industrializer

Spain is a case combining an early start of industrialization in the 1840s with a late completion of the process in the 1960s after a long, agonizing, discontinuous trek stretching over more than a century, and punctuated by sharp ups and downs (Nadal 1975; Tortella 1994; Martín Aceña and Comín 1991). Accordingly, this "early late-industrializer" shares many, but not all, of the late-industrializer features described by Hikino and Amsden (1994). In terms of natural assets, the country is substantially better endowed than Korea but not nearly as rich as Argentina. By contrast with Korea, the state neither introduced systematic incentives for export to discipline firms nor nationalized the private banks. Rather, the state followed a strategy of infant-industry protectionism since the turn of the century, and import-substitution industrialization during the 1940s and 1950s, similar to the ones pursued in Argentina. Large state-owned enterprises resulted from this policy. Simultaneously, a fairly comprehensive corporatist system of labor-management, business-government, Church-state, and professional-client relations inherited from the 1920s has consolidated as the various interest groups created by industrialization have found a mutual accommodation. Firms deeply embedded in the corporatist structure have since been at a competitive disadvantage, while those that were able to shelter themselves from it have fared better.

Unlike Korea, inward FDI in Spain has historically exceeded outward FDI by a wide margin. By the time of the Great Depression, foreign capital played a key role in mining, railways, insurance, energy, telecommunications, machinery, and heavy industry (Campa and Guillén 1995). Since the mid-1960s,

foreign capital has helped in creating new clusters of supply industries and contributed to ideological change favorable to internationalization. This mixture of institutional factors has made family-owned or worker-owned medium-sized firms, state-controlled enterprises, and subsidiaries of multinational corporations the most internationally competitive organizations. The few individual firms that have excelled over the years in international markets have tended to accumulate far more created assets than the average firm. Their exposure to international competition both at home and abroad has prompted them to adopt features having little to do with the home-country context. Unlike in both Korea and Argentina, diversified private business groups never consolidated.[12]

The current predicament of Spanish firms has its roots in the predominantly agricultural country of mid-century. After the Civil War of 1936-39, the authoritarian regime of Franco became dominated by a group of populist and staunchly nationalist economic policy-makers that implemented a series of foreign exchange controls and protectionist measures, nationalized certain foreign investments, reinforced the corporatist framework of industrial relations, and made import-substitution investments in industry. Meanwhile, the Allied powers imposed a trade embargo that remained fully in place until the late 1940s (Tortella 1994:255-306; Guillén 1994:175-203; Martín Aceña and Comín 1991). Capital flight and almost zero inward FDI were the natural results of a nationalist backlash against foreign investors, the overvaluation of

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[12]Two exceptions: Mondragón Corporación Cooperativa, the large worker-owned group of service and industrial cooperatives in the Basque country (Whyte and Whyte 1991); and El Corte Inglés (retailing), which has diversified into manufacturing (clothing, publishing) and financial services. The Teneo holding of state-owned companies could be a third exception. Altos Hornos de Vizcaya, Unión de Explosivos Río Tinto, and the Rumasa holding could qualify as diversified industrial groups of companies. These three groups were dismantled as such in the late 1970s and early 1980s.

the currency, the intricate system of multiple exchange rates, mounting inflation, and slow growth for almost two decades.

A key element in Spanish economic and business history is the development of a cartel of seven large private banks accounting for over two-thirds of total deposits by the 1930s. By and large, the history of Spanish industrialization until the 1980s could be written in terms of the conflict between the financial and industrial sectors. As political scientist Sofía Pérez (1994, 1995) has shown, no matter whether financial regulation or deregulation was the issue, the banking cartel always found ways to maximize oligopolistic advantage at the expense of the state, industrial firms, and foreign investors. The boom in private bank lending using resources from the monetization of the public debt held by the banks in a country with extreme supply-side rigidities fed inflation and an acute foreign exchange crisis peaking in the summer of 1959. The confluence of inflationary pressures, balance of payments crisis, and worker and student protests required decisive action on the economic, trade, financial, and political fronts. On the labor front, collective bargaining of wages and working conditions was regulated in the 1960s, but the corporatist system of joint employer-worker interest representation was left intact, i.e. the class-wide, leftist unions were not legalized.

The liberalizing reforms of 1959 assigned foreign capital several roles to play: supplement the meager level of domestic savings, generate much-needed hard currency, facilitate technology transfers, and help develop cluster of supply and support industries. Steep tariff barriers were substituted for non-tariff barriers to trade. The punitive taxation of imports of industrial and consumer goods in a domestic market of considerable size and growth potential attracted inward FDI during the 1960s and early 1970s, as found by two independent surveys conducted by the Stanford Research Institute and the Escuela de

Administración de Empresas at Barcelona (Muñoz, Roldán and Serrano 1978:34 n. 43). Investments in automobile assembly are perhaps the best examples (Hawkesworth 1981). During the 1960s and early 1970s, inward FDI ranged between 0.15 and 0.59 percent of GDP, while outward FDI stayed under 0.10 percent of GDP. By the mid-1970s and despite the reduction in new foreign activity in Spain, inward investment was still about 4 times higher than outward investment. A few Spanish manufacturing firms ventured abroad at this time: Tudor (batteries), Sarrió (paper), Hispanoil (oil), Pescanova (frozen fish), Laboratorios Ferrer (pharmaceuticals), and Enasa (light trucks, currently Iveco-Pegaso), among others, mostly to exploit their incipient intangible assets.

Finally, the government's French-style indicative planning practices of the 1960s required the introduction of "privileged financial circuits" to channel cheap credit to targeted industries, but without imposing on the favored firms any performance standards. In addition, the state assumed all of the financial risk either directly or indirectly through special rediscount lines and the creation of state-owned industrial credit institutions (which could not compete with the private banks for funds).

Unlike in manufacturing, foreign investors were prevented from entering the banking sector. Thus, the big private banks amassed huge profits as lenders to industry in a virtually risk-free environment. Moreover, Spanish banks were allowed to continue their traditional practice of not competing for deposits on the basis of price (Pérez 1994, 1995). Under the favorable reigning international circumstances, the Spanish economy rode the wave of world economic and trade growth until the implicit contradictions of the system began to emerge in the midst of the staggering international financial and economic turbulence of the late 1960s and 1970s: cheap credit without full trade liberalization or export targets fuelled inflation, and ultimately, an erosion of comparative productivity

levels and the decline of both heavy and light manufacturing industries. Higher international interest rates and easier mobility of funds across borders increased net capital outflows sharply. In response, interest rates were allowed to rise steadily until the late 1980s, forcing Spanish firms into an unmanageable position: the lowest self-financing ratios among OECD countries, very limited opportunities to raise money in a backward stockmarket with one of the lowest degrees of capitalization in the world, and, as a result, dependence on bank loans. Further oligopolistic practices by the private banks, overbranching in particular, forced them to translate higher operating costs into outrageously high lending rates and commercial fees (Pérez 1995).

The consequences of the characteristics of the financial system for industrial development are fairly well-known. With the exception of a couple of years, between the late 1970s and the early 1990s Spanish non-financial firms suffered from financial costs averaging more than their returns on investment (Maroto Acín 1990). There is evidence that, unlike in Germany, Spanish banks with industrial holdings behave as debtholders rather than shareholders. The reason lies in that non-financial firms "with a bank among their top three shareholders are less profitable and more leveraged" (Cuervo-Cazurra 1995:7). Spain's financial system is universal bank-dominated, like in Germany, Switzerland and Austria (Steinherr and Huveneers 1994). But Spanish banks do not play the role of the long-term, informed shareholder; rather, they behave as the money-lenders and commercial partners of the industrial firms they control. This situation is taking place in a country in which more than 80 percent of non-financial firms are under majority control by their five top shareholders (Galve Górriz and Salas Fumás 1992). Under these circumstances, only family, worker, state or foreign-owned firms could thrive.

Spain's membership in the European Union (EU) in 1986 changed forever the dynamics of industrial development and foreign investment, after some 15 years of ups and downs. The 1986-92 period featured rapid economic growth, expansion of private enterprises in both manufacturing and services, huge inflows of FDI peaking at 4.2 percent of GDP in 1991, and the coming of age of outward FDI, towering also in 1991 at 1.2 percent of GDP. The process of European integration also provided an excellent excuse and recipe for breaking the banking cartel, including the creation of a true market for short-term public debt in the mid-1980s raised the level of competition for deposits, the liberalization of savings banks regulations and of capital markets, and he shakeup of top management teams at the biggest banks through a wave of mergers. The positive effects for firms are yet to be felt, however.

It is in the area of asset creation that government policies have been most inadequate. As a late-comer to the fully industrialized world, Spain is suffering from the familiar yawning gap between payments and receipts for patents, royalties and fees. This traditional technological dependence is thwarting the efforts of firms to compete internationally. While since 1960 technological receipts have oscillated between 0.02 and 0.11 per cent of GDP, payments have escalated from 0.17 per cent in 1960 to 0.51 in 1992. Domestic R&D expenditures have grown faster than net payments for patents, royalties and fees. For every peseta of net payments to other countries in 1980 Spain spent domestically two pesetas on R&D. By 1991 the ratio was one to three, but still far from the levels of the more advanced countries (INE 1994:30). R&D expenditure in Spain has more than quadrupled during the 1980s. But the contribution of the government to total R&D expenditure has fallen from 52 per cent in 1980 to 46 per cent in 1991, while foreign funds have grown from 1 to 6 per cent, and the share of domestic private firms has remained constant. Despite the increase in expenditure Spain

spent on R&D a mere 0.87 per cent of her GDP in 1991, the lowest rate in the OECD except for the other middle-range member countries: Greece, Portugal and Turkey (Surís i Jordà 1986; Casado 1995; Miner 1995). Unlike the other European middle-range countries, however, Spain has managed to develop three areas of comparative technological strength, as identified in a recent OECD study (Archibugi and Pianta 1992:76-77), namely, fabricated metals, industrial machinery, and motor vehicles, primarily auto parts. Neither funding from the government nor from abroad have contributed significantly to developing distinctive technological capabilities in machinery and motor vehicles (INE 1994:64).

Worker training is a second area of concern in the creation of intangible assets in Spain. Leaving aside the well-documented disarray of the technical and vocational training system, the Cinderella of the state's massive educational effort, firms have traditionally spent few resources on the upgrading of worker skills (Cobo Suero 1994:1124-1125, 1193-1203). Most of their limited efforts have to with the training of their own employees; apprenticeships in firms are still quite rare. In 1993, Spanish agricultural, industrial and service firms with 200 or more workers and a collective bargaining agreement spent just $592 per employee on training-related activities, 10 percent down from 1992. This amounts to merely 0.86 percent of total wage and salary expenditures and 0.40 percent of gross value added. Slightly over half of all workers underwent some kind of training in 1993, totalling an average of 42 hours per worker or 2.5 percent of total on-the-job hours. Overall, the worst performers are firms in the state-owned sector, those that do not export, or those controlled by domestic capital. They train 25 percent more workers than exporting firms or than those controlled by foreign capital, but their workers receive on average 25 percent fewer hours of training and the training expenditure per worker is

about half. The firms most highly committed to worker training are by far those controlled by foreign capital. When compared to domestically-controlled private firms, they devote twice as many hours and three times as much money to training each of their workers. Medium-sized firms employing 300-499 workers spend about 50 percent more than either smaller or larger firms. Temporary employment, which has skyrocketed in the last couple of years, is twice more prevalent among small and/or domestically-controlled private firms than among those that are large, foreign-controlled or (due to union pressure) state-owned (Mineco 1994:269, 290-294). Thus, as in the case of technological development, one can appreciate a positive impact of both export-oriented activities and of foreign capital on the accumulation of created intangible assets in Spanish firms.

Given the set of institutional circumstances, which types of firms have succeeded internationally? For the most part, medium-sized firms and a handful of state-controlled enterprises, as well as the subsidiaries of foreign multinationals, which are the country's largest exporters. A majority of Spain's foreign investments have to do with services. Such firms as Telefónica (telecommunications), Iberia (airline), Banco Santander and BBV (banking), ALSA (ground transportation), Endesa and Iberdrola (power generation), Prisa and ¡Hola! (printed media), TelePizza (franchised pizza restaurants), and Elecnor, Abengoa, Cobra and Isolux (electro-mechanical construction) have become active international investors, particularly in Latin America. Outward manufacturing FDI as a percentage of GDP trebbled since the mid-1970s but still stands at a tiny 0.3 percent mark, and the outward total's share of manufacturing FDI has fallen from an all time high of 46 percent in 1977 to 11 percent in 1993. Emerging manufacturing multinationals include: Repsol and Cepsa (oil, gas, and petrochemicals); Viscofán, Chupa-Chups, Leche Pascual,

Nutrexpa, Pescanova, Pescafina, and Campofrío (foodstuffs); Freixenet and Codorníu (wines); Ficosa, Grupo Antolín, Gamesa, and Fagor (autoparts); Induyco, Adolfo Domínguez, Cortefiel, Inditex, Grupo Tavex, and Kelme (textiles, clothing, and footwear); Ferrer Internacional (pharmaceuticals); and CASA and Patentes Talgo (transportation equipment). Except for the state-controlled enterprises (Iberia, Endesa, Telefónica, CASA, Repsol) these firms have fewer than 5,000, and in many cases fewer than 1,500 employees.[13] The goals sought by outward investments have been, in decreasing order of importance, the distribution of exports, strategic-asset seeking, cheap-factor seeking, and, lastly, investments related to the procurement of raw materials (Campa and Guillén 1994, 1995; Viedma et al. 1990).

The most internationally successful of these Spanish firms are characterized by not relying solely on natural assets, not being bank-financed, having sheltered themselves from the upward pressures of corporatism on the wage-to-productivity ratio, and having accumulated higher than average intangibles such as technology and brand reputation. These findings confirm that the home-country institutional context constrains the types of most competitive firms, but that the actual individual firms that succeed internationally follow patterns of created-asset accumulation resembling those of the rich-world multinationals.

**Argentina: A Case of Late Development, Reversed**

At the turn of the century Argentina was the tenth largest trading country in the world, and ranked sixth in terms of per capita income. This relative level of prosperity was maintained up until the 1930s. Nowadays, after five decades of steady decline, there are at least 40 other countries with a higher standard of

[13]On the two waves of international expansin by the state-owned firms, the 1960s and the 1980s, see Martín Aceña and Comín (1991:417-418) and Alvarez Vara (1991).s

living. This is why scholars refer to Argentina as a rare case of "reversal of development" (Waisman 1987). Argentina's economic growth after 1870 was supported by the twin natural pillars of a vast supply of treeless land (the pampas), and a steady inflow of immigrants from Europe. Between 1880 and 1912 the economy grew at an average annual rate of over 6 percent, thanks to staggering exports of wool, leather, and grains. Improvements in transportation and refrigeration technology helped the country become a leading exporter of perishable foodstuffs to the Northern hemisphere. British capital financed an extensive railway network, and both domestic and foreign capitals completed the necessary infrastructure with ports and roads. Export-led growth allowed for the accumulation of private capital then invested in beverages and food-processing, textiles, and the construction business (De la Balze 1995:24-27; Bethel ed. 1993:47-77). By 1929, Argentina was the world's largest exporter of chilled beef, maize, linseed, and oats, and the third largest of wheat and flour. European markets accounted for the bulk of exports. Ships returned from Europe or the United States replete with consumer goods, luxury items, autos, and, most importantly, industrial equipment. Even though wars and trade tensions in the Northern hemisphere provoked sharp fluctuations in Argentine shipments, the economy developed relatively smoothly until the Great Depression.

Manufacturing activities started thanks to both domestic and foreign capital. Light manufacturing of consumer products concentrated in the greater Buenos Aires area, where an industrial proletariat began to emerge. The 1920s witnessed the massive arrival of American investment. Total inward FDI in 1920-39 averaged a fairly high annual rate of 3.7 percent of GDP. Domestic and foreign capital contributed to the inception of new industries: oil exploration and refining, chemicals, cement, metals, food-processing, electrical machinery, and

rubber (Bethel ed. 1993:139-163). Of critical future importance were developments in the oil industry. Foreign and domestic capital flocked to the Patagonian oil fields after their discovery in 1907. In 1922 the state reorganized its oil interests, accounting for one third of total production, through the creation of the Yacimientos Petrolíferos Fiscales (YPF) agency. In 1925 a refinery was built at La Plata. In 1927, the rows between state and private interests were manipulated for political reasons, with the government riding a wave of nationalist fervor that prompted it to promise the expropriation of foreign interests in the industry. After U.S. President Calvin Coolidge, yielding to the pressures of the domestic farm lobby, imposed an unfair ban on imports of Argentine dressed beef, the operations of Standard Oil were nationalized. This action set a precedent, and signalled the presence of a solid anti-American sentiment among the landed and exporting interests that was picked up by public opinion and exploited by politicians of all inclinations (Bethel ed. 1993:163-168). This episode marked the beginning of a trend that ultimately prevented foreign investment in Argentina from making the contributions to asset creation witnessed in Spain since the 1960s. To make matters even worse, a military coup d'état in 1930 interrupted the democratic tradition initiated with independence.

As in Spain, the Great Depression in Argentina was shallower than in the most advanced countries, but nonetheless painful. Recovery was swift after 1934. By the end of the 1930s two thirds of manufacturing were concentrated in food-processing, beverages, and textiles. These years marked a second important phenomenon in addition to the rising anti-Americanism and hostility to foreign investment. Locally-owned, quasi-monopolistic firms consolidated their position in key industries, and started to engage in FDI in Uruguay, Brazil and Chile: Siam Di Tella in metals and appliances; Bunge & Born in cereals, foodstuffs,

textiles, and petrochemicals; Miguel Miranda in canned foodstuffs; and the textile and footwear firm Alpargatas, which in 1890 became the first company based in a developing country to set up a foreign manufacturing affiliate, in Uruguay, followed by a second one in Brazil. These firms would benefit from close ties with the state, which in many instances was an important customer. Their managers-owners were to occupy key political and economic positions in the government at various points during the next decades (Bethel ed. 1993:196; Katz and Kosacoff 1983; Peralta Ramos 1992). A third consequential trend was the growth in the size and militancy of the labor movement during the 1930s and early 1940s (Waisman 1987; Bethel ed. 1993:173-241).

In 1943 these changes converged on a pivotal event of Argentine history: the coup by army colonels of fascist inclinations. The parallels with corporatist developments in Spain at roughly the same time are stunning (Guillén 1994:175-183; Linz 1964, 1970, 1981). The United States imposed a diplomatic quarantine which, as in many other cases of U.S. foreign policy action, exacerbated the problem. Then colonel Juan Domingo Perón was put in charge of the Labor Department. After winning the 1946 presidential election, he introduced corporatist and paternalistic labor reforms in order to break the isolation of the regime at home. In 1947 a Peronist Party consecrated political personalism while the anti-pluralist, authoritarian political movement of justicialismo consolidated and occupied most of the political, economic, and social spheres of influence. Perón's endorsement of the social doctrine of the Catholic Church gained him an important ally. These social and political doctrines were enshrined in a comprehensive corporatist system of interest representation, monopolistic in nature, with the state acting as arbiter of disputes. Membership in the official and exclusive labor and business organizations soared. The judiciary, the university, and the labor movement were purged. Import-

substitution policies were initiated, solidifying the position of the diversified business groups, often by granting them lucrative contracts with the state or by protecting the domestic market. The railroads, telephone system, airlines, gas, merchant marine, and financial system were nationalized. Social programs were expanded. After a few years of strong economic expansion, the economy stalled as a consequence of growing fiscal and trade deficits, and mounting inflation. A 1955 army coup ousted Perón as the Church turned against his anticlerical educational reforms, and the military feared the appearance of a worker militia (Bethel ed. 1993:243-363). A momentuous event was the decision not to sign the GATT agreement or to participate in any of the Bretton Woods institutions in 1947, thus marginalizing Argentina and preventing her from taking part in the big world trade boom of the 1950s (De la Balze 1995:37-41). Trade and foreign investment plummeted.

Argentine politics seem to have never recovered from the Peronist earthquake. Semi-democratic governments alternated with army-led, authoritarian ones until 1976, when the military initiated a brutal and infamous "dirty war" against insurgent leftist groups. More so than in other Latin American countries, protectionism, import-substitution policies, capital flight, rampant corruption, and the rigidities of corporatism wrecked the economy gradually but inexorably (Cardoso and Helwege 1992). Foreign investors came to Argentina in the 1960s to manufacture price-inflated goods for the protected domestic market, but almost no new investment came in during the 1970s. In this once leading exporting country, the ratio of exports to GDP decreased to less than 15 percent. As in Spain (Toharia Cortés 1994), but even more so, the corporatist framework provoked a fragmentation of the labor market along the gender, permanent-temporary, and regional dimensions. Unlike in Spain and in other Latin American countries, the relative size of the underground

economy in Argentina has increased between 1950 and 1990 (Castells and Portes 1989, table 1.1; De la Balze 1995:108; Toharia Cortés 1994:1370-1394). The final blows to the Argentine economy were assessed by the gross macroeconomic mismanagement of the military juntas during the 1976-1983 period, and of the first democratically-elected government in 1983-1989, during which the unions staged as many as twelve general strikes. The country that once was the barn of the world witnessed food riots in May of 1989. Hyperinflation peaked at an annual rate of 20,266 percent in March of 1990.

Within a forest of differences, one crucial similarity between Spain and Argentina stands out thus far: the pervasive influence of corporatist interests, i.e. labor, domestic business groups, the Church, the professions, the army, and the regions. In both societies, the state fell hostage to these numerous pressure groups. Governments and dictators in both countries had to allocate ministerial positions in such a way that their own chances of survival would be maximized (De la Balze 1995:47; De Miguel 1974). In both countries "entrepreneurs" found it easier to obtain quasi-rents from the state than to come up with process or product innovations. And the emerging state-owned enterprises were plagued by overemployment, huge operational costs, misallocation of resources, and conflicting goals (De la Balze 1995:57-58; Martín Aceña and Comín 1991). Furthermore, the state bailed out or nationalized bankrupt private companies both in Argentina (e.g. Giol, Austral, Siam DiTella) and in Spain (in sectors such as coal, steel, shipbuilding, heavy engineering, banking). Yet, Spain has always had a relatively meritocratic and self-regulating civil service (Beltrán 1977; Guillén 1989), which could be used since the 1960s to introduce economic reforms. In Argentina, by contrast, one finds until today a state of the patrimonial type (Weber 1978:II, 1028-1031; Silberman 1993) at the mercy of

interest groups, and an officialdom lacking competitive examinations for entry, rational specialization, or enclaves of excellence (De la Balze 1995:44-47).

Peronist President Carlos Menem's famous U-turn in late 1990 has yielded results of magical proportions: inflation below 5 percent, annual GDP growth rates ranging between 5 and 10 percent, and rising inward FDI. The new policy mix includes several ingredients (De la Balze 1995; República Argentina 1993): a one-on-one covertibility plan that pegs the value of the Argentine peso to the U.S. dollar, and is backed by hard currency financial assets equal to the monetary base; reduction of public spending and attainment of modest budget surpluses; massive privatizations of state-owned firms, including such flagships as YPF, ENTEL, Aerolíneas, and over 60 other state-owned firms totalling US$ 26 billion worth of net assets (Ganboa 1995; República Argentina 1993:16-18; De la Balze 1995:88-99)[14]; labor market and social security reforms (República Argentina 1993:27-30); trade liberalization; and integration into the Mercosur customs union with Brazil, Paraguay, and Uruguay (República Argentina 1993; Economist 1994b; De la Balze 1995:115-122). Privatizations and the surge in inward FDI have increased the capitalization of the stockmarket nine-fold since 1991. The size of financial and capital markets, however, is barely 50 percent of GDP compared to between 150 and 250 percent in the most advanced countries (De la Balze 1995:78-79). Privatizations and trade liberalization have broken the political and economic power, as well as the finances, of the labor unions (Almirón 1995), while Menem himself has been instrumental in spliting the leadership of the union movement by drawing on the immense popular support generated by the elimination of hyperinflation. Non-wage labor costs are

[14]Approximately 57 percent of the value of privatizations may be attributed to foreign investors: 15 percent from the United States and Canada, 13.5 percent from Spain, 8.3 percent from Italy, 6.4 percent from France, and 5.6 percent from Chile. Argentine private business groups have been the most active domestic acquirors of privatized companies: Pérez-Companc/Banco Río (13.9 percent), Techint (7), Astra (5.2), Sideco (2.6), and Comercial del Plata (2).

extremely high in Argentina, and the reforms necessary to bring them down so that informality and unemployment recede are not yet fully in place. Unlike in Spain, the democratization of the labor movement and the decentralization of collective bargaining are also pending (De la Balze 1995:104-115).

Argentina shares with Spain a tradition of corporatist representation of interests. Likewise, it is highly dependent on foreign technology (UNCTD 1994a:103). Also similarly, most of the new FDI pouring into the country has to do with either trade integration into a multilateral bloc, the Mercosur, or with what amounts to Latin America's most ambitious privatization program. American, European, Japanese, and even Chilean investors are flocking to Argentina in order to take advantage of a stable, high-growth economy part of a unified market of over 200 million consumers. At the same time, some of the private domestic diversified groups have renewed their efforts at international investment, mostly in other Latin American countries: Alpargatas (textiles, clothing, footwear), Arcor (confectionery), Bunge & Born (food-processing, textiles, chemicals), Techint (steel pipes, equipment, engineering, construction, power generation, oil), Pérez Companc (oil exploration and production), Sintyal and Bagó (pharmaceuticals), Peñaflor (wines), and Zanella Hermanos (engines for motorbikes). The outward FDI stock, however, is still small (0.7 percent of GDP). By comparison, Spain's stands at 3.1 percent of GDP. The key reasons for this relative gap are the brief time elapsed since the introduction of liberal economic policies under President Menem, the failure of Argentine manufacturing firms to consolidate any areas of relative technological advantage, and the lack of service-sector firms of international stature. Another problem which has been partially solved in Spain refers to the introduction of more competition in the banking sector. In Argentina, even by Latin American standards, there are simply too many inefficient banks making money by

charging outrageously high fees (McKinsey & Co. 1994, exhibits 9, 41-43). Until 1993 the opening of new branches was heavily regulated,and cash reserve requirements were very stringent (nowadays they still amount to 43 percent of deposits). Over 40 percent of the industry is government-owned.

When compared to Brazilian firms, however, Argentina fares well. The creation of the Mercosur customs union offers a huge opportunity to Argentine firms in the food-processing industry, which are among the most competitive in Latin America in terms of labor productivity once labor cost is accounted for (McKinsey & Co. 1994; Bestani 1995). In general, Argentine manufacturing firms are better positioned within Mercosur than Brazilian ones as far as leadtimes, R&D intensity, and new product development and marketing are concerned (Paladino et al. 1994b). When compared to Korea or Spain, they still rely on antiquated industrial equipment. Robots, numerically-controlled machines, and flexible manufacturing systems are present in a handful of firms only (Paladino et al. 1995:11). In addition, the country's infrastructure, except for education, and the clusters of support industries, are still underdeveloped or inappropriate for a country that intends to grow quickly (Paladino et al. 1994a; IDEA 1995).

At the still preliminary stage of my research on Argentina, one observes that the home-country institutional context has something to do with the type of firms that succeed internationally, and that accumulation of intangible assets affects the chances of success of individual firms. But the effects are not as clear-cut as in Spain. The case of Korea, by contrast, will provide strong support for the differentiated institutional effects of the home-country and international environments.

**South Korea: A Textbook Case of Late Industrialization**

South Korea is a perfect third case in this comparative study because it has become a textbook model of state-orchestrated, learning-driven, export-oriented, late industrialization. Conveniently, it provides a contrast with Spain and Argentina because of the lack of a corporatist tradition and the rise of large, diversified business groups. Within one generation, this once backward country of 44 million people inhabiting the Southern tip of an arid peninsula devoid of any significant natural resources has become the world's largest shipbuilder, the sixth in steelmaking and in automobile manufacturing, and the second in consumer electronics and in semiconductors (Lee 1994, exhibit 3).[15] The bulk of Korean manufacturing is conducted by a handful of family-controlled, diversified enterprise groups (chaebol).[16] Hyundai, Lucky-Goldstar, Samsung, Daewoo, and Ssangyong, among others, have become household names around the world. These firms make textiles, household appliances, consumer electronics products, chips, cars, trucks, machine tools, heavy industrial equipment, even ships. Korea boasts 12 firms on the Fortune Global 500 list of the world's largest industrials, many more than any other late-developer or even some of the developed countries (e.g. Canada, Italy, the Netherlands, Switzerland). Neither Argentina nor Spain have been able to produce such an armada of formidable world-class competitors. Further comparisons of Korea with Argentina and Spain will help to assess the commonalities and differences among the middle-range countries.

The Japanese occupation of Korea since 1910 resulted in rigid economic dependence at first, but in rapid industrial growth through FDI in the 1930s as

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[15]North Korea does harbor significant mineral deposits and hydroelectric potential.

[16]The term chaebol is the transliteration of the Japanese zaibatsu. Both terms are written with the same two Chinese characters and mean "fortune cluster." Only four of the giant Korean chaebol have their origins in the colonial period. Unlike their Japanese counterparts, the chaebol do not include a bank (Woo 1991:13, 35, 66).

Korea became a keystone in Japan's imperial dreams. Over 90 percent of all industrial capital and facilities were owned by the various Japanese zaibatsu. Heavy industries located in the Northern part of the peninsula, while light industries such as food-processing, machinery and consumer goods clustered in the Southern areas (Woo 1991:19-42). The Republic of Korea was founded in 1948. The United States initiated in 1945 a vast economic and military assistance program, expanded during the Korean War of 1950-53, that was to last until the 1960s. Originally, U.S. generosity came with one string attached: the funds had to be used to purchase goods from Japan. The nationalistic response of President Syngman Rhee (1948-1960) was to initiate an import-substitution policy of industrialization while he reinforced the state's administrative, repressive, and military apparatuses. The success of his economic policy in achieving industrial growth during the 1950s relied heavily on international aid and FDI (Stallings 1990; Cheng 1990; Woo 1991:43-72). Rhee's regime, however, indulged in corruption and giveaways to the emerging, rent-seeking chaebol (Woo 1991:67-68). Fiscal deficits became such a problem that the government was forced to introduce a classic stabilization program in 1957 that failed miserably to stimulate private investment. The ensueing economic recession and unemployment took their toll, and the Rhee regime collapsed in 1960 under the pressure of student protests.

The key to understanding Korea's economic take-off during the 1960s and the "Big Push" of the 1970s lies in the role played by an autonomous state since the army-led coup d'état in 1961. The emerging authoritarian regime of General Park Chung Hee (1961-1979) was able to strike a delicate balance between, on the one hand, policies protecting and subsidizing both private and state-owned enterprises, and, on the other, tight controls on the performance and competitiveness of the favored firms. The chaebol magnates were charged with

profiteering during the Rhee years and forced by General Park to submit to his authority. The state imposed on businesses a panoply of restrictions, including export targets, price controls, restraints on capacity expansion, limits on market entry, and prohibitions on capital flight. In addition, the government nationalized the private banking system so as to be able to allocate credit at will (Woo 1991:81-84; Amsden 1989:146-147; Song 1990; Sakong 1984; Wade 1990). Normalization of relations with Japan in 1965 allowed for technological transfer as well as huge reparations payments, while the Vietnam war effort offered a myriad of trade and procurement opportunities for Korean firms (Woo 1991:85-100).[17]

The economic take-off during the 1960s refers to the export-led growth of light manufacturing. The most dynamic and proportionally important sector, textiles, was negatively affected in the early 1970s by President Nixon's political liabilities to Southern cotton growers and textile mills, when a quota-based protectionist regime was imposed by the U.S. and Europe on the low-wage East Asian textile manufacturers (Woo 1991:125-126). The "Big Push" of the 1970s, by contrast, focused on heavy industry. The state's plan envisioned one large, efficient complex for each of six industries: steel, chemicals, metals, machine-building, shipbuilding, and electronics. When the 1973 oil crisis struck and several chaebol came to the brink of bankruptcy, the government boldly devalued the currency and rescheduled their debt at the expense of small savers (the famous "curb" market), while the firms absorbed the sharply higher costs of raw materials and fuels by increasing the reliance on the then abundant foreign sources of lending. The bargain paid off by 1976 as the Korean product quality-cost mix allowed its firms to expand market shares across the world. The oil

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[17]South Korea was hardly a free-rider on the Vietnam spending spree. It had contributed over 300,000 ground troops by the time the war was over, a per capita contribution larger than the U.S.'s (Woo 1991:93).

shock of 1979-80 created excess capacities worldwide just as the new Korean plants were ready for large-scale production. The government orchestrated a vast program of "industrial reorganization" or consolidation of producers which provided a sound foundation for growth in the 1980s (Woo 1991:148-159, 177-179).

The results of the export-led take-off and the Big Push were rapid economic growth, averaging about 8 percent annually, and the rise of large private business groups without significant inflows of direct foreign investment or the accumulation of an unmanageable mountain of foreign debt.[18] The indicative planning efforts of the clientelistic Franco regime in Spain or the wrong-headed import-substitution industrialization policies in Argentina, though successful at promoting growth for a couple of decades, failed to avoid the painful effects of the oil shocks and to produce such startingly large and competitive private firms as in Korea.

There appear to be two key differences between Argentina and Spain, on one hand, and Korea, on the other. First, the corporatist regime of labor relations, and second, the lack of effective mechanisms to discipline the private sector. Unlike in the other two countries, Korean labor was not allowed to organize effectively after World War II or the Korean War of 1950-1953. Right-wing groups with the backing of the police and the American military authorities destroyed the emerging worker organizations. The zenith of this period of reckless repression was reached during the Chungryangri railroad strike in 1947, which ended in hundreds of deaths and thousands of imprisonments (Koo 1993b:134-135). The absence of an effective, sustained labor militancy and opposition, except for a few, brief outbursts, allowed General Park

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[18]Inward FDI, compared to private foreign borrowing, was fairly limited, and this in spite of the Foreign Capital Inducement Law of 1966. The key inhibiting factor was perceived country risk and lack of familiarity with the Korean business context. Japanese firms were, understandibly, the only exceptions to the rule (Woo 1991:100-104)

to avoid any state-funded corporatist and social welfare programs like the ones created in Argentina and Spain during the 1940s based on paternalistic mentalities and hastily organized to pacify a restless working class and turn it into a political ally. No Socialist party ever emerged in Korea, and, after two foreign occupations (Japan's and the U.S.'s) the Communist movement was an essentially nationalistic one rather than a class-based phenomenon. There was no sizeable industrial proletariat in Korea in the 1950s. Moreover, the regime was willing and able to repress any attempts to organize a classwide labor movement. One could imagine perhaps a crafts-based pattern of labor organization emerging in Korea. The handicrafts, however, had slowly declined during the Yi dinasty's long period of rule (1392-1910), so the basis for a trades union movement, or a crafts-based small-scale industrialization, was not available (Koo 1993b:136; Amsden 1989:18, 192-195, 324-325).[19]

Free from labor, entrepreneurs or bankers as interest groups, General Park was able to use the state budget deficit to finance industrial investments while the large private business groups dealt with their workers' welfare by investing in everything from company housing to primary schools. The contrast with the huge social security and welfare programs organized and funded by the state in Argentina and Spain could not be sharper. The Korean state did invest in general education at all levels. But, unlike in Argentina and Spain, the big firms played a key role in the creation of firm-specific skills through in-house technical education and training programs (Amsden 1989:208-209).

The second crucial difference with Spain and Argentina has to do with the ability of the state to discipline private business groups in order to check rent-seeking behaviors in a protected domestic market (Amsden 1989; Koo 1993a).

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[19]The classic case of crafts-based trade-unionism is England, as explained by Thompson (1963).

Business groups had to deliver export growth. Otherwise, they would not be granted permits to expand capacity, enter new industries, diversify product lines, reduce their taxable income, and access cheap credit (Woo 1991; Amsden 1989; Eckert 1993:102-103). Poor performance, or political deviance,[20] was ultimately punished by outright dismemberment, as happened to two major chaebol in the 1970s (Amsden 1989:15; Woo 1991:170-171). Two circumstances allowed General Park, and the Chun Doo Hwan presidency following his 1979 assasination, to enforce the rules: the creation of a relatively strong, autonomous, and self-regulating state in the 1960s and 1970s, and the nationalization of the private banking sector (Woo 1991:159-169). A state bureaucracy first emerged during the Japanese occupation, and was subsequently reinforced in both South and North Korea as a consequence of war or the threat of war, in agreement with the general path observed by Mann (1988) and Tilly (1990) for state-building in Europe. Spain had such relatively autonomous state structures staffed by a meritocratic civil service, but policy-making fell hostage to the irresistible rise of the state-owned enterprise sector or to business and regional interest groups. Neither Argentina nor Spain subdued the private bankers. This in turn limited the state's capacity to manipulate credit, and, in turn, discipline private business.

The case of Korea shows that late-industrializing countries can move very quickly into advanced industries without consolidating their position in the usual "starter" sectors of industrialization. Thus, primary production and textiles were, and still are, important industries, but they did not provide the impetus for investing in other industries. The state, foreign lenderss, and, in a fairly limited way, foreign investments in support industries did (Woo 1991:159-

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[20]Unofficial taxes to fund political, social and cultural causes were imposed by the government on the big chaebol. In 1986 such taxes amounted to more than 1 percent of the firms' sales and about 7 percent of the labor costs (Eckert 1993:109)

169). The only exceptions was chemicals, where foreign investors played a dominant role (Woo 1991:133-147), and semiconductors, where Korean private capital provided the seed money (Eckert 1993:106). In the 1960s Korean firms first moved into steel (the state-owned integrated mill POSCO), chemicals and fertilizers (Yukong), and simple assembled goods (the chaebol); in the 1970s into shipbuilding and electric appliances; and finally into integrated auto manufacturing and advanced electronics in the 1980s (Schive 1990; Amsden1989). It was a process characterized by technological borrowing and learning rather than innovation (Amsden 1989; Hikino and Amsden 1994). As in Spain, an ample supply of engineers was available, and they played a critical gatekeeping role between domestic firms and foreign technology holders (Guillén 1994:178-183). Their ranks increased much faster than those of the white-collar and managerial employees, and the shopfloor became the key to the generation of competitive ownership advantages (Amsden 1989:166, 171-172).

The transition to democracy starting in the late 1980s has come together with momentous changes for Korean firms: liberalization of imports, removal of export subsidies, privatization of the banks, and liberalization of labor relations (Woo 1991:176-203; Koo 1993b; Eckert 1993; Koo 1994). The big chaebol, however, seem to be holding out, and have become the avant-garde of Korea's international expansion in terms of both trade and foreign investment. Their ownership cohesion is on the increase due to intermarriage among the leading families (Eckert 1993:122). Moreover, they have come to indirectly dominate up to half of the privatized banks, in spite of the government's explicit regulations against this (Eckert 1993:107). Recently, the government has been failing to enforce its policy of chaebol specialization in one or two core business areas (Bedeski 1994:88). And their reliance on debt financing has been partially offset by the emergence of the securities and stock markets in the late 1980s, whose

capitalization has increased ten-fold relative to the GDP since 1985. In other words, the state is no longer as able to control the chaebol as it used to be in the past (Eckert 1993:107).

The chaebol as well as the government have thought of R&D as a long-term investment that would facilitate the upgrading of Korea's competitive capabilities. The number of firms with corporate R&D laboratories soared during the 1980s (Amsden 1989:328), while private and public expenditures have escalated (STEPI 1995). South Korea is unique among the middle-range countries in the scale and scope of its R&D effort (Lall 1990). Some of the chaebol run R&D laboratories in the U.S. and in Europe. In spite of the fact that they are developing technologies intramurally and not relying on licenses as much as in the past (Gomes-Casseres and Lee 1988), the technological balance of payments is still deeply in deficit (UNCTD 1992:247). Korean firms are thus trying to develop ownership advantages through created assets in addition to the internalization ones that they have achieved through forward integration into the distribution of exports and increased control over their foreign subsidiaries (Kumar and Kim 1984, table 1; Euh and Min 1989, tables 6-7). Korea's dependence on Japanese machinery, components, brands, and marketing know-how is limiting the benefits of the yen's appreciation relative to the dollar and to some of the European currencies. Spain, too, suffers from the same effect in relation to Germany and France. Fully 80 percent of Korea's exports are accounted for by original equipment manufacturing, an arrangement which releases the Korean firm from any technological, branding or marketing responsibilities (Bernard and Ravenhill 1995).

One of the most impressive aspects of Korean economic and organizational development has to do with the breadth-taking pace of internationalization of the chaebol. As in the case of the economy as a whole, these fiery conglomerates

have compressed or skipped the traditional stages of internationalization described by theories such as the product life cycle (Vernon 1979) or the investment development path (Dunning and Narula 1994). Instead of following the paced, slow, incremental sequences of international expansion predicted by those standard paradigms of international business, Hyundai, Samsung, Daewoo, Lucky-Goldstar, and Ssangyong, among others, have swiftly established foreign distribution, production, and even R&D facilities. The chaebol have acquired an extensive international presence in barely more than a decade as they have sought easier market access, cheaper factors of production, or strategic assets. This expansion is unique in terms of not only scale and speed but also location and underlying foundations. Korean firms have made investments in more developed countries and not just in lower-income countries, as predicted by the theory. As would be expected, the bases for expansion have had to do with proprietary organizational and production know-how, but product innovation is playing an increasingly important role.

Korean firms started to make small international investments in the 1960s to distribute their Korean-made exports. In the 1970s a new kind of FDI emerged when they invested in manufacturing and raw-material procurement (Kumar and Kim 1984). At the same time, the general trading companies associated with the chaebol started to grow quickly, aided in part by a new government subsidy program introduced in 1975 (Cho and Heo 1989; Woo 1991:164-165). By the mid-1980s the trading companies handled half of all Korean exports (Cho 1987:55), compared to just 30 percent for Spain in 1992 (Campa and Guillén 1994, table 4). Since the early 1980s Korean manufacturing firms have gone abroad in order to distribute exports, access protected markets, and, to a much lesser extent guarantee sources of raw materials (Euh and Min 1989). As of late, they are also investing abroad in search of cheap factors of production and of

strategic assets. One key difference with Spain is that as much as three-fourths of the outward stock of FDI has to do with manufacturing or primary production. FDI in services is relatively small, and for the most part refers to distributive trade and not to financial, telecommunication or tourist services, as is the case in Spain (UNCTD 1992:234-244). The total stock of Korean FDI abroad amounts to only 0.9 percent of GDP, but it is growing quickly. Foreign investment in Korea is also small, a mere 2.2 percent of GDP (Table 1), and it is not growing as fast as outward FDI (Bark 1991).

These preliminary findings confirm the differentiated institutional effects of the home-country and the international environments observed for the case of Spain. The chaebol are the distinctive creature of the South Korean pattern of development, but these conglomerates have not achieved international success to the same extent. The most successful are characterized by behaving very much like rich-world multinationals: they have shifted away from original equipment manufacturing, relocated lower-end activities abroad while keeping at home the managerial and logistic functions, and invested in R&D, branding, and internalized distribution channels for exports.

The middle-range countries provide an ideal laboratory for beginning to understand the competing institutional pulls felt by organizations that operate across national boundaries. Given that most of the middle-range firms have traditionally based their competitive advantages on natural assets, their attempts at catching up offer a unique opportunity for assessing the impact of the shift from natural to created assets as well as the ways in which the multinationals from the rich world have exerted institutional pressures and/or provide a role model to imitate. The evidence seems to suggest that types of firms that can shelter themselves from the constraints imposed by the home-country

institutional context are the ones which emerge from the middle-range countries as internationally competitive. The particular firms that become world-class organizations through exports or foreign investment tend to follow some or all of the aspects of the global cultural model of the multinational firm whose competitiveness is based on created assets.

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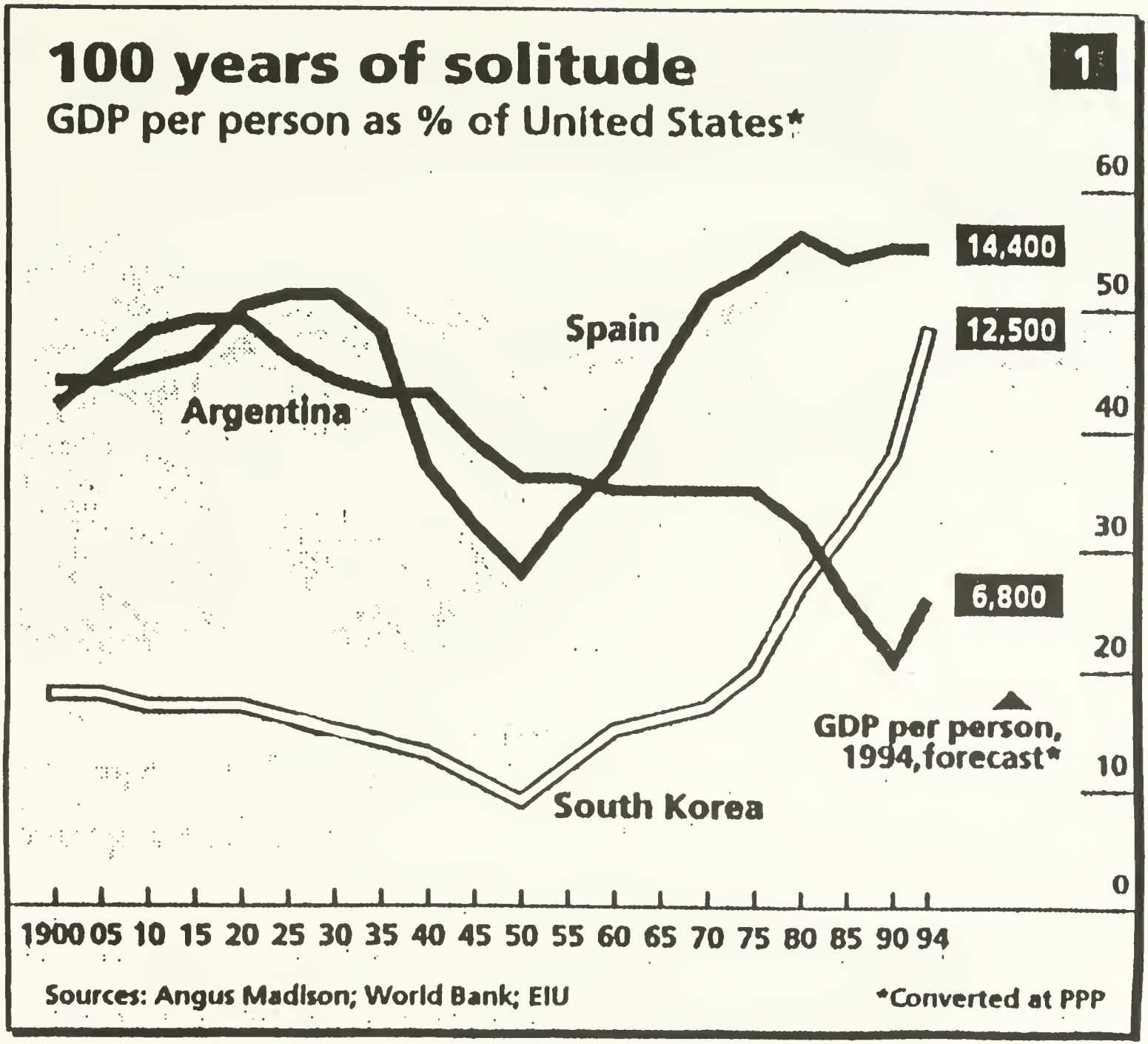
Table 1: Basic Indicators of Selected Middle-Range Countries, Compared to the Rich Countries, circa 1992

| Country: | Per capita GNP-PPPs USA=100 | FDI Stock as % GDP: Outward | FDI Stock as % GDP: Inward | Imports + Exports % of GDP | % age group in tertiary education | Per 1,000 World GDP | Total Population millions | Number of firms Fortune global 500: Industry | Number of firms Fortune global 500: Service | Unemployment |
|---|---|---|---|---|---|---|---|---|---|---|
| USA | 100.0 | 7.8 | 7.2 | 21.4 | 76 | 257 | 255.4 | 159 | 136 | 6.7 |
| Japan | 87.2 | 6.9 | 1.2 | 20.9 | 31 | 159 | 124.5 | 135 | 140 | 2.5 |
| Germany | 89.1 | 10.1 | 8.0 | 66.2 | 36 | 77 | 80.6 | 32 | 43 | 8.2 |
| France | 83.0 | 9.2 | 7.2 | 45.2 | 43 | 57 | 57.4 | 26 | 29 | 11.6 |
| Italy | 76.7 | 5.1 | 5.3 | 38.4 | 32 | 53 | 57.8 | 7 | 15 | 11.5 |
| UK | 72.4 | 23.3 | 20.8 | 51.1 | 28 | 39 | 57.8 | 41 | 43 | 10.2 |
| Spain | 57.0 | 3.1 | 13.5 | 37.6 | 36 | 25 | 39.1 | 3 | 14 | 22.7 |
| Ireland | 52.2 | . | 11.5 | 114.6 | 34 | 2 | 3.5 | 0 | 0 | 15.6 |
| Greece | 34.6 | . | 21.1 | 54.4 | 25 | 3 | 10.3 | 0 | 0 | 8.7 |
| Portugal | 43.8 | 0.9 | 10.6 | 81.4 | 23 | 3 | 9.8 | 1 | 1 | 5.5 |
| Turkey | 22.4 | . | 1.2 | 42.7 | 15 | 4 | 58.5 | 3 | 0 | 7.9 |
| Korea | 38.7 | 0.9 | 2.2 | 62.5 | 40 | 13 | 43.7 | 12 | 3 | 2.8 |
| Taiwan | . | 8.2 | 6.2 | 89.9 | . | 8 | 20.4 | 1 | 1 | . |
| Malaysia | 34.8 | 4.4 | 23.9 | 156.1 | 7 | 2 | 18.6 | 1 | 0 | 0.7 |
| Thailand | 25.5 | 0.3 | 6.9 | 80.3 | 16 | 5 | 58.0 | 1 | 0 | 2.7 |
| Venezuela | 38.0 | 1.7 | 8.0 | 59.6 | 30 | 3 | 20.2 | 1 | 0 | 6.4 |
| Chile | 35.0 | 0.6 | 22.2 | 70.2 | 23 | 2 | 13.6 | 0 | 0 | 4.5 |
| México | 32.4 | 0.3 | 11.4 | 32.7 | 15 | 14 | 85.0 | 3 | 1 | 2.4 |
| Uruguay | 32.2 | . | 5.5 | 45.3 | 32 | 0.5 | 3.1 | 0 | 0 | 9.0 |
| Argentina | 26.3 | 0.7 | 6.2 | 15.0 | 43 | 10 | 33.1 | 1 | 0 | 7.3 |
| Colombia | 24.9 | 1.0 | 8.7 | 35.2 | 14 | 2 | 33.4 | 0 | 0 | 9.2 |
| Costa Rica | 24.0 | . | 25.3 | 75.4 | 28 | 0.3 | 3.2 | 0 | 0 | 4.1 |
| Brazil | 22.7 | 0.5 | 7.8 | 12.7 | 12 | 16 | 153.9 | 1 | 2 | 3.7 |
| China | 9.1 | 0.7 | 3.8 | 32.0 | 2 | 22 | 1,162.2 | . | 2 | 2.3 |

Sources: *World Development Report 1994* (New York: Oxford University Press, 1994); *World Investment Report 1994* (New York: United Nations, 1994); *Year Book of Labour Statistics 1994* (Geneva: International Labour Office, 1994); UNTCMD, *Transnational Corporations from Developing Countries* (New York: United Nations, 1993), pp. 27-29.

Figure 1: Per-Capita Incomes of Argentina, Spain, and South Korea, 1900-1994




Source: Adapted from The Economist (November 26, 1994).

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